Supreme Court, U.S.
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No. 03-409

In the

Supreme Court of the United States

KP PERMANENT MAKE-UP, INC,

Petitioner,

v.

LASTING IMPRESSION INC;
MCN INTERNATIONAL INC,

Respondents,

On Petition for a Writ of Certiorari to the
United States Court of Appeals for the Ninth Circuit

REPLY BRIEF

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INTRODUCTION

Rather than simply admit that this is a case appropriate for Supreme Court review, respondents instead deny the obvious and argue for argument's sake. In doing so, they mischaracterize the rulings of the courts below, and misstate the law concerning the applicability of the fair use defense. Although respondents attempt to minimize the confusion among the circuits regarding the fair use defense, they nevertheless admit that there is a split among the Circuits on this important issue. Respondents mistakenly argue that the fair use defense is not applicable against a trademark that has reached the status of incontestability. Their argument only serves to highlight the confusion among the Circuits concerning the fair use defense and actually reveals a further split among the Circuits.

The fair use defense is of course applicable in this case. The issue is not whether or not the fair use defense is applicable, but rather, whether or not the defense requires one to demonstrate an absence of likelihood of confusion. There can be no doubt that there is a genuine split between the Circuits. The only issue for this Court to decide at this time, is whether or not the question presented is worthy of taking up this Courts precious time. Petitioner respectfully asserts that the question presented is very much worth considering. The laws governing intellectual property should be the same on both coasts. The lack of uniformity undermines certainty of expectations and lessens public confidence in the federal judiciary. It complicates business planning, and encourages forum shopping.

QUESTION TO BE DECIDED

The issue before this court is simply, whether or not the fair use defense requires the party asserting the defense to demonstrate an absence of likelihood of confusion. Respondents have raised another question: Is the fair use defense applicable against a mark that has obtained the status of incontestability? The vast majority of the Courts have decided that the answer to the second question is affirmative. Even the 9th Circuit admits the defense is available against incontestable marks. The Ninth Circuit reversed the District Court on the fair use issue, not because respondents' mark was incontestable, but rather because the District Court failed to consider likelihood of confusion when applying the fair use defense. The Ninth Circuit decided there were genuine issues of material fact concerning the likelihood of confusion, and reversed the summary judgment on that ground.

THERE ARE NO MATERIAL FACTS IN DISPUTE

Respondents have attempted to create a factual dispute where none exists. Respondents mistakenly assert that Petitioner's claim that it "has been using the term microcolor to describe its selection of pigment colors since 1990 on flyers, and since 1991 on pigments bottles" has not been adjudicated by either the District Court or the Ninth Circuit. (Respondents' brief, first paragraph, page 2.) As one can plainly see, the District Court wrote,

> Plaintiff also contends it has satisfied the second element [of 15 U.S.C. § 1115(b)(4)] by using the "microcolors" phrase continuously since 1990 in trade shows

> and on their bottling labels. Because Plaintiff began using the mark before Defendants used theirs, and has continued use of the phrase, Plaintiff argues its use was done fairly and in good faith. The Court agrees. There is no issue of material fact as to the fair use defense, and summary adjudication is GRANTED in favor of Plaintiff on this issue. *Celotex*, 477 U.S. AT 323-24." (Appendix, page 29a)

The Ninth Circuit adopted the District Court's finding and stated, "KP used the term "micro color" on its flyers beginning in 1990 and has continued to use the term on its pigment bottles since 1991.[1] (Pages 3a-4a of Appendix.)

Moreover, even if respondents disagree with Petitioner's claim of prior use, the issue has no bearing on the question presented to this court for consideration. In the typical fact scenario, the proponent of the fair use defense would be the junior user. The fact that Petitioner, the District Court, and the Ninth Circuit state that Petitioner is the senior user is of no relevance to whether or not the Ninth Circuit was correct in holding that in order for Petitioner to prevail on the fair use defense, Petitioner must first demonstrate an absence of likelihood of confusion. This is because even if respondents are the senior user, and Petitioner is the junior user, under the

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[1] The fact that the Ninth Circuit glossed over this fact has been a puzzlement to many trademark law practitioners. One would think that because Petitioner was the prior user of the mark, their use would have to be a "fair use" within the ambit of 15 U.S.C. §1115(b)(4).

Ninth Circuit's rule, Petitioner would still be required to demonstrate an absence of likelihood of confusion. (Petitioners' prior use is of course persuasive evidence that Petitioner's use of the microcolor term was done in good faith and fairly. However, Petitioner would still be able to demonstrate that their use of the microcolor term was done in good faith and fairly even if respondents were, hypothetically speaking, the senior user.)

THE FAIR USE DEFENSE IS OF COURSE APPLICABLE TO THE FACTS OF THIS CASE

Both the District Court and the Appellate Court explained in their differing opinions the applicability of the fair use defense to this Case. At page 29a of the appendix to Petitioner's brief, the District Court gives its interpretation of the fair use defense to this case. At page 17a (bottom paragraph) of the appendix, the Ninth Circuit explains its interpretation of the fair use defense to this case.

Respondents (perhaps unintentionally) have highlighted and raised a sub-issue within the Question Presented that illustrates another split among the Circuits concerning the fair use defense. Respondents state unequivocally that the "doctrine of fair use only permits a junior trademark user to use a trademark which is 'descriptive' (Respondents' brief, page 4).[2]

[2] Respondents also incorrectly assert that the Ninth Circuit held the mark "micro colors" is not descriptive. (Respondents' brief, p. 4) In Petitioner's view, respondents have misinterpreted the section in the Ninth Circuit opinion concerning secondary meaning. The District Court had required respondents to demonstrate secondary meaning in the term micro colors. The District Court had determined that the incontestable status did not apply to the term micro colors because the registration was for the micro colors logo, and not merely the term. The District Court found that respondents did not demonstrate secondary meaning and granted summary adjudication in favor of Petitioner on this issue. In reversing the District Court on this issue, the Ninth Circuit stated that the incontestable status of the registration is conclusive evidence that the mark is non-descriptive or has acquired secondary meaning, and there is no need to require a showing of secondary meaning in the term "micro colors" apart from the mark. (Appendix, pages 14a-15a) This finding does not mean the term is not descriptive for all purposes. Most marks that have acquired secondary meaning, still have an unprotected primary meaning which is descriptive. *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003)

That is not the case. Although, the Third Circuit has stated that the Fair Use Defense presupposes that the plaintiff's mark is descriptive, *Institute for Scientific Information, Inc. v. Gordon & Breach, Science Publishers, Inc.*, 931 F.2d 1002, 18 U.S.P.Q.2d 1527, 1533 (3d Cir. 1991), cert. denied, 502 U.S. 909, 116 L. Ed. 2d 245, 112 S. Ct. 302 (1991), the Second Circuit more recently stated, 'But it should make no difference whether the plaintiff's mark is to be classed on the descriptive tier of the trademark ladder.... What matters is whether the defendant is using the protected word or image descriptively, and not as a mark.' *Car-Freshner Corp. v. S.C. Johnson & Son, Inc.*, 70 F.3d 267, 269; 36 U.S.P.Q.2d 1855 (2d Cir. 1995) In *Seaboard Seed Co. v. Bemis Co.*, 632 F. Supp. 1133, 1138; 229 U.S.P.Q. 1007, 1010 (N.D. Ill. 1986), that Court rejected the argument by the owner of an incontestable registration that a fair use is not available because its mark is conclusively presumed not to be descriptive; the issue is not whether the registrant's use is descriptive, but whether the accused infringer's use is descriptive. In fact, the very same argument

made by Respondents (Section III of Respondents' brief) is asserted not to be the case by the Ninth Circuit: "We similarly have allowed classic fair use of a suggestive mark, which carries both an unprotectable primary meaning and a protected secondary meaning." *Brother Records, Inc. v. Jardine*, 318 F.3d 900, 907 (9th Cir. 2003). "[T]he § 1115(b)(4) classic fair use defense can apply to a mark regardless of its classification as descriptive, suggestive, arbitrary, or fanciful, so long as the mark carried a descriptive primary meaning and a trademarked secondary meaning." *Id.* It appears that respondents themselves are confused as to exactly under what circumstances the fair-use defense applies. Their confusion is somewhat understandable, because the issue is somewhat complex. Petitioner is nevertheless puzzled that respondents would cite Professor McCarthy for support on this issue when in fact, Professor McCarthy takes the other side.[3]

As Professor McCarthy writes, "[I]n the author's opinion [the] better view is that one can make a non-infringing, descriptive fair use even if the senior user is not using the term in a descriptive sense with its goods or services. That is, the key is the junior user's descriptive use, not the senior user's descriptive use. The policy rationale is that no one competitor can use trademark law to exclude others from use of a word in its primary, descriptive and non-trademark sense. *McCarthy on Trademark and Unfair Competition* § 11:45 (4th ed. 2001)

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[3] Respondents mistakenly cite McCarthy, Section 11:17 at the top of page 3 of their brief. Petitioner has re-read Section 11:17 of McCarthy and finds no discussion of the issue in question.

In Petitioner's opinion, the confusion over this sub-issue, demonstrates, yet another reason why this Court should grant certiorari.

RESPONDENTS ADMIT THE CIRCUITS ARE SPLIT AS TO THE REQUIREMENTS OF THE FAIR USE DEFENSE

Strangely, respondents improperly claim the split amongst the Circuits is fictional, yet they admit that there is a split between the Second Circuit and the Ninth Circuit. Respondents unfairly denigrate the Second Circuit as a "renegade" (Respondent's brief, page 6), but yet all the Second Circuit has done is follow the common sense interpretation of the statute and have refused to embellish it with an extra requirement that one wishing to avail himself of the fair-use defense must also demonstrate an absence of likelihood of confusion.

After dismissing the importance of the Second Circuit, respondents continue by choosing to ignore certain language that they do not like in the opinions of the First, Fourth, Fifth, and Seventh Circuits in order to present an argument that the split between the Circuits is somehow inconsequential. To the contrary, the various circuit court opinions demonstrate that there is a great deal of confusion about the fair use defense, and it would be of a great help to the various appellate courts, trademark attorneys, and businessmen if this Court lent its guidance on this important issue.

In particular, respondents appear to have completely misunderstood that the First Circuit gave two separate grounds for holding that the defendant in *Leathersmith of London, Ltd. v. Alleyn*, 695 F.2d 27 (1st

Cir. 1982), was entitled to continue using the term Leathersmith. The First Circuit clearly states:

> We need not decide whether "Leathersmith" is wholly nonregisterable because generic; plaintiff cannot prevail against this defendant even if that term were considered a good and enforceable trademark in other circumstances. The grounds of our more limited holding are, first, that there has been no showing of a likelihood of confusion in this instance, and, second, that defendant's use of "Leathersmiths" in the name of his business is a "fair use" exempted by the Lanham Act from Liability. *Id* at p. 29.

In the second part of the Court's opinion, at pages 30-31, the Court then analyzes the facts of the case without considering likelihood of confusion. It does make reference to a lack of evidence of any intent to deceive customers or to appropriate plaintiff's good will. *Id* at 31. This does not mean that an absence of likelihood of confusion is required. Quite the contrary, the inference is that even if there were a likelihood of confusion, since the defendant had no intent to cause any confusion, the fair use defense would still be applicable. The issue is not one of actual likelihood of confusion, but rather whether or not there was an intent to create an actual likelihood of confusion, so that it would be possible to trade off the plaintiff's good will. If this had been the rule in the Ninth Circuit, Petitioner's summary judgment would have been affirmed on appeal.

Similarly, respondents have also chosen to ignore the 4th Circuit's statement that: "It defies logic to argue that a defense may not be asserted in the only

situation where it even becomes relevant. If a fair use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair use defense comes into play only when infringement – including a likelihood of confusion – has been established. A defense which can be considered only when the prima facie case has failed is no defense at all. While it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use." *Shakespeare Company v. Silstar Corporation of America, Incorporated*, 110 F.3d 234, 243 (4th Cir. 1997) Here, again, if the Fourth Circuit had decided the case now before this Court, the Fourth Circuit would have affirmed Petitioner's summary judgment.

Petitioner also disagrees with Respondents analysis of *Soweco, Inc. v. Shell Oil Company*, 617 F. 2d 1178 (5th Cir. 1980). In particular, respondents fail to consider the Fifth Circuit's statement, "Moreover, we are convinced that even if there were a likelihood of confusion, the defendant would still be entitled to its fair-use defense, so long as it had met the requirements of §1115(b)(4). To hold otherwise would effectively eviscerate the fair use defense. If defendant's use of a term to fairly describe a characteristic of its goods creates a likelihood of confusion, then plaintiff should adopt some other method of distinguishing its goods from those of defendant. He cannot deprive defendant of his statutory defense once defendant has established the elements of that defense, as defendant has done here." *Id.* at 1189.

And finally, respondents ignore the following statement made by the 7th Circuit in *Sunmark, Inc. v. Ocean Spray Cranberries, Inc.*, 64 F. 3d 1055 (7th Cir.

1995): "When the products involved are similar, 'likelihood of confusion' may amount to using a word in a 'misleading' way, violating 15 U.S.C. § 1125(A)(1) – not because the likelihood of confusion makes the use nondescriptive, but because the confusion about the product's source shows that the words are being used, de facto, as a mark. And the defense is available only to one who uses the words of description 'otherwise than as a mark'." *Id.* at 1059.

CONCLUSION

In short, it appears that respondents have merely put forth an argument for argument's sake. There is a genuine split among the Circuits that needs to be addressed by this Court. To let the split go unresolved will only encourage forum shopping, complicate business planning, undermine certainty of expectations, and lessen public confidence in the federal judiciary. Accordingly, Petitioner respectively requests that this Court grant the petition and resolve the Question presented for review.

Dated this 15th day of December, 2003.

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